Research of Accounting and Governance
p-ISSN/e-ISSN: 2985-8143/2985-8151
Homepage: https://sanscientific.com/journal/index.php/rag
4(2) 169-183 (2026)
https://doi.org/10.58777/rag.v4i2.561

Research Article

Corporate Governance Mechanisms, Capital Intensity, and Tax Avoidance: An Empirical Study of Banking Transparency

Yovita Kristanti Magiyono[1]*, Erna Lovita[2]
[1,2] Master of Accounting, Indonesian College of Economics, Jakarta

Received: 21-11-2025; Accepted: 14-07-2026

Abstract
This study examines the effects of independent boards of commissioners, boards of directors, audit committees, institutional ownership, and capital intensity on tax avoidance in Indonesian banking companies during 2020–2024. The study is motivated by concerns over persistent tax avoidance despite corporate governance regulations. The banking sector was selected because of its strategic role in economic stability and strict regulatory environment, making governance transparency particularly important. This research also addresses inconsistent findings regarding the effectiveness of corporate governance mechanisms in reducing tax avoidance. A quantitative associative approach was employed using secondary data from banking companies listed on the Indonesia Stock Exchange (IDX). Purposive sampling yielded 20 companies, resulting in 100 firm-year observations. Panel-data regression analysis was conducted using EViews. The results indicate that independent boards of commissioners, institutional ownership, and capital intensity have significant negative effects on tax avoidance, suggesting that stronger independent oversight, greater institutional investor participation, and higher fixed-asset intensity discourage aggressive tax practices. In contrast, the board of directors and audit committee have no significant effect. These findings contribute to the corporate governance and agency theory literature by highlighting the importance of governance quality in reducing tax avoidance and promoting greater tax transparency in Indonesia's banking sector.

Keywords: Independent Board of Commissioners, Board of Directors, Audit Committee, Institutional Ownership, Capital Intensity, Tax Avoidance

JEL Classification: G34, H26, H32

How to cite: Magiyono, Y. K. Lovita, E., (2026). Corporate Governance Mechanisms, Capital Intensity, and Tax Avoidance: An Empirical Study of Banking Transparency, *Research of Accounting and Governance (RAG) 4(2)*, 169-183

Corresponding author: Yovita Kristanti Magiyono (yovitakr182@gmail.com)

1. Introduction
Taxes are a major source of state revenue and play a crucial role in financing government expenditures, infrastructure development, and public welfare programs. In Indonesia, tax revenue accounts for the largest share of state income each year. Based on data from the Directorate General of Taxes, tax revenues reached IDR 1,510 trillion in 2022, IDR 2,463 trillion in 2023, and IDR 2,247.5 trillion in 2024. These figures indicate that taxes are essential in supporting economic stability and sustainable national development. Therefore, improving tax compliance has become a priority for the government.

From the government's perspective, taxes are a strategic source of revenue for financing state expenditures through the State Budget (APBN). However, from the corporate perspective, taxes are often viewed as a burden that can reduce firm profits. This difference in interests creates agency conflicts between the government, as the tax authority and companies, as taxpayers. Companies tend to seek strategies to minimize tax expenses and maximize profits, including tax avoidance. Tax avoidance refers to companies' efforts to legally reduce their tax obligations by exploiting loopholes in tax regulations and weaknesses in the tax system. Although considered legal, aggressive tax avoidance practices may reduce state revenue and create reputational risks for companies.

The issue of tax avoidance has become increasingly important in Indonesia, as the country's tax ratio remains relatively low compared to those of several ASEAN countries. This indicates that tax collection effectiveness remains limited. The implementation of the self-assessment system in Indonesia also provides taxpayers with greater flexibility to calculate and report their taxes independently, thereby increasing opportunities for tax avoidance. Several cases involving companies in the banking sector, including major banks in Indonesia, further demonstrate that tax avoidance practices can occur even in highly regulated, closely supervised industries.

The banking sector was selected as the focus of this study because banks play a strategic role in maintaining economic stability and public trust. Banking companies are also subject to strict regulations and governance standards set by financial authorities, making transparency and accountability essential to corporate operations. In theory, strong corporate governance mechanisms should reduce opportunistic behavior, including aggressive tax avoidance. However, empirical findings regarding the effectiveness of corporate governance in reducing tax avoidance remain inconsistent.

Corporate governance mechanisms such as independent boards of commissioners, boards of directors, audit committees, and institutional ownership are considered important in monitoring managerial behavior and ensuring corporate transparency. Independent commissioners are expected to strengthen supervisory functions and reduce management opportunism. Institutional ownership may also encourage stronger monitoring because institutional investors tend to demand greater transparency and accountability. In addition, capital intensity can influence tax avoidance because investment in fixed assets generates depreciation expenses that may reduce taxable income. Nevertheless, previous studies have reported contradictory findings regarding the effects of these variables on tax avoidance. Some studies found that governance mechanisms and capital intensity significantly reduce tax avoidance, while others reported insignificant or even positive relationships.

These inconsistencies indicate that the relationship between corporate governance, capital intensity, and tax avoidance remains inconclusive, particularly in Indonesia's banking sector. Most previous studies have focused on manufacturing or non-financial companies, while limited research has specifically examined banking firms in the context of transparent governance. Therefore, this study aims to analyze the influence of independent boards of commissioners, boards of directors, audit committees, institutional ownership, and capital intensity on tax avoidance in banking companies listed on the Indonesia Stock Exchange during 2020–2024. This study is expected to contribute to the development of agency theory and the corporate governance literature by providing updated empirical evidence on the effectiveness of transparent governance mechanisms in reducing tax avoidance in the banking sector. In practice, the findings are expected to provide insights for regulators, investors, and firm management to strengthen governance quality and support the development of taxation policy to improve corporate tax compliance.

2. Literature Review and Hypothesis

Agency Theory

Agency theory examines the contractual relationship between principals (shareholders) and agents (firm management), who are authorized to make certain decisions (Jensen et al., 1976). Agents are responsible for delivering results according to the principal's wishes, but often have vested interests, such as high compensation. This can lead to financial statement manipulation and information asymmetry. In the tax context, agency theory explains how management can engage in tax avoidance to fulfill the interests of both principals and agents by suppressing taxable income to lower total taxes paid. This theory emphasizes the importance of corporate governance mechanisms to ensure regulatory compliance(Santosa et al., 2021).

Tax Avoidance
Tax avoidance is a legal effort by taxpayers to minimize their tax obligations in accordance with regulations. The methods used typically exploit legal loopholes and regulatory weaknesses to reduce tax payable. Motivations for tax avoidance include high tax rates, unclear regulations, and poor law enforcement (James & Nobes). This practice carries risks, including fines and a negative reputation.

Independent Board of Commissioners
Independent commissioners are members of the board of commissioners who are external to the firm and unaffiliated with management or major shareholders (Hanim & Fatahurrazak, 2018). They are tasked with overseeing management and acting as mediators in the event of conflicts between commissioners and shareholders. According to POJK No. 33/POJK.04/2014, independent commissioners must meet certain requirements, including being free from share ownership and business relationships with the firm. At least 30% of board members must be independent (Santosa et al., 2022 and Hanim & Fatahurrazak, 2018).

Board of Directors
The board of directors carries out the firm's day-to-day management, makes strategic decisions, and represents the firm in legal matters (Law No. 40/2007). The board of directors is responsible for operational management, business strategy development, and the implementation of good corporate governance principles, including transparency and regulatory compliance. The board of directors' primary functions include: firm management, strategic decision-making, legal representation, and the implementation of GCG (Budiantoro et al., 2022).

Audit Committee
The audit committee is responsible to the board of commissioners for overseeing internal and external audits and ensuring the effective implementation of corporate governance. It should consist of at least three members, including independent and external commissioners, and be chaired by an independent commissioner. The more members the audit committee has, the more effective oversight of tax avoidance practices (Santosa, 2020).

Institutional Ownership
Institutional ownership refers to share ownership by banks, insurance companies, pension funds, and investment companies (Fathurrahman et al., 2021). These institutions play a role in overseeing and controlling management to reduce opportunistic practices and tax avoidance. The higher the institutional ownership, the more effective management oversight and the more efficient the firm's tax management (Bernandhi & Muid, 2014).

Capital Intensity
Capital intensity indicates the proportion of fixed assets in a firm's total assets (Ambarukmi & Diana, 2017). The greater the investment in fixed assets, the higher the depreciation expense, which can reduce profits and taxes payable, thus triggering tax avoidance (Dwiyanti & Jati, 2019). Depreciation methods are regulated in Income Tax Law No. 36/2008, which limits the use of certain methods for tax purposes.

Research Conceptual Framework

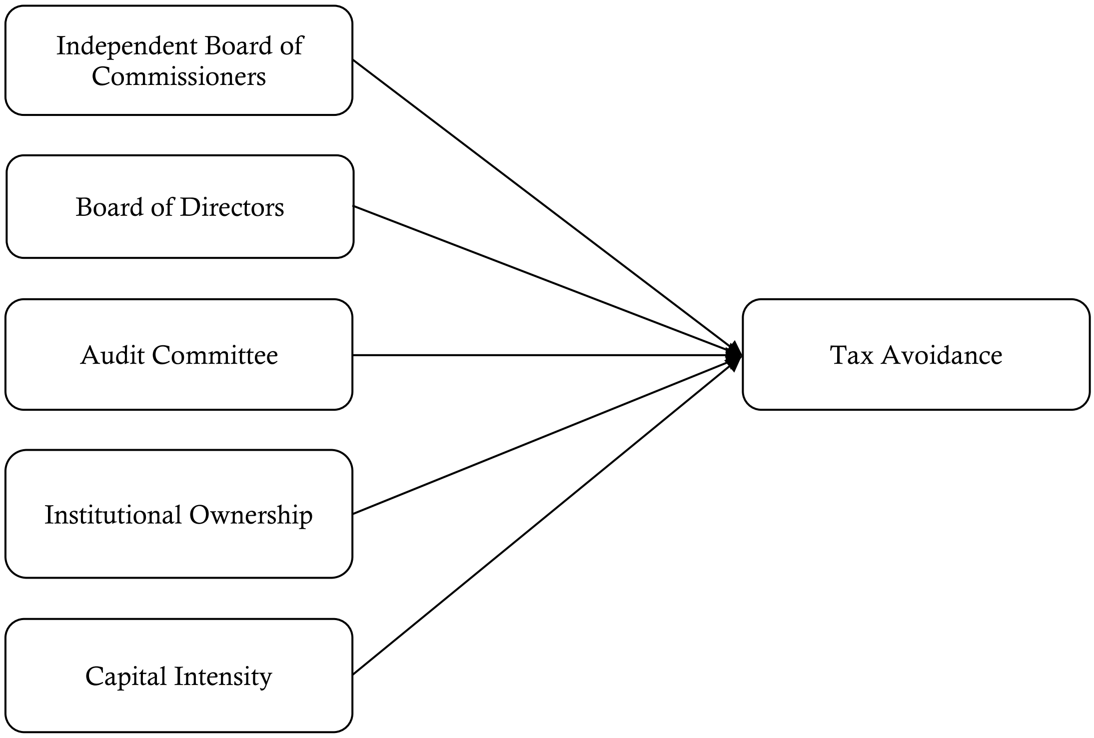

Figure 1. Research Concept Framework

Research Hypothesis

The Influence of Independent Commissioners on Tax Avoidance

Agency theory explains that conflicts between shareholders and management arise because managers may prioritize personal interests over corporate objectives, including through aggressive tax strategies. Independent commissioners serve as an internal monitoring mechanism, supervising managerial decisions and reducing opportunistic behavior. In the context of taxation, independent commissioners are expected to encourage transparency and ensure that tax policies remain aligned with regulatory compliance and corporate sustainability. Stronger independent oversight may limit managers' incentives to engage in aggressive tax avoidance because such practices can increase reputational risk, legal exposure, and stakeholder distrust.

In banking companies, the role of independent commissioners becomes increasingly important, as the sector is highly regulated and closely monitored by financial authorities. A higher proportion of independent commissioners reflects stronger governance quality and more effective monitoring of managerial actions, including taxation policies. Therefore, companies with stronger independent supervision are expected to have lower levels of tax avoidance. Previous studies found that independent commissioners negatively influence tax avoidance practices. Based on this explanation, the following hypothesis is proposed:

H1: Independent commissioners have a negative effect on tax avoidance.

The Influence of the Board of Directors on Tax Avoidance

The board of directors is responsible for formulating corporate strategies and ensuring operational compliance, including tax management decisions. The effectiveness of the board of directors can influence whether a firm adopts conservative tax policies or engages in aggressive tax planning. Directors who prioritize good corporate governance tend to avoid excessive tax avoidance, as aggressive tax strategies may create long-term risks, including sanctions, reputational damage, and reduced investor confidence.

From an agency perspective, the board of directors also functions as a decision-making body that balances shareholder expectations for profit maximization with regulatory compliance obligations. In the banking sector, directors face greater pressure to maintain transparency and public trust due to stricter supervision. Consequently, effective boards are expected to discourage opportunistic tax behavior and promote tax compliance. Previous studies generally indicate that stronger boards of directors reduce tax avoidance, although empirical findings remain inconsistent. Therefore, the following hypothesis is proposed:
H2: The board of directors effect on tax avoidance negatively.

The Influence of the Audit Committee on Tax Avoidance
The audit committee is an important governance mechanism that assists the board of commissioners in overseeing the quality of financial reporting, internal control systems, and regulatory compliance. In taxation, the audit committee can reduce information asymmetry between management and stakeholders by ensuring that financial statements and tax reporting are prepared transparently and in accordance with applicable standards. An effective audit committee may limit managerial incentives to manipulate accounting information or implement aggressive tax strategies.

In addition, audit committees with accounting and financial expertise are expected to strengthen monitoring effectiveness and improve the quality of oversight over tax-related decisions. Within banking companies, effective audit committees are particularly important because financial institutions operate under strict regulatory frameworks and public scrutiny. Therefore, stronger audit committee oversight is expected to reduce tax avoidance behavior. Previous research generally supports a negative relationship between audit committees and tax avoidance, although several studies have reported insignificant results (Ardiyanti, 2023 and Marsha & Ghazali, 2017). Thus, the following hypothesis is proposed:
H3: The audit committee has a negative effect on tax avoidance.

The Effect of Institutional Ownership on Tax Avoidance
Institutional ownership refers to the ownership of a firm's shares by institutions such as banks, insurance companies, pension funds, and investment firms. Institutional investors generally possess greater resources, expertise, and incentives to monitor management performance compared to individual shareholders. According to agency theory, stronger institutional ownership can reduce agency conflicts because institutional investors tend to demand transparency, accountability, and sustainable corporate performance.

In the taxation context, institutional investors may discourage aggressive tax avoidance practices because such strategies can increase legal and reputational risks that may harm long-term firm value. Institutional owners are more likely to support transparent tax practices and regulatory compliance to maintain corporate credibility and investor confidence. In the banking sector, where governance quality and public trust are highly important, institutional ownership is expected to strengthen oversight of managerial tax decisions. Previous studies suggest that institutional ownership can reduce tax avoidance, although some findings indicate the opposite relationship (Dewi, 2019 and Gazali et al., 2020). Therefore, the following hypothesis is proposed:
H4: Institutional ownership has a negative effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance
Capital intensity reflects the proportion of a firm's investment in fixed assets relative to total assets. Companies with high capital intensity generally record larger depreciation expenses, which can reduce taxable income. From an agency theory perspective, management may strategically use depreciation policies to minimize tax burdens and increase after-tax profits. Therefore, companies with higher capital intensity may have greater opportunities to engage in tax avoidance through depreciation-related tax benefits.

In addition, capital-intensive firms often require large, long-term investments, creating incentives for management to optimize cash flows through tax-efficiency strategies. Although depreciation is

recognized for tax purposes, excessive reliance on depreciation incentives may indicate aggressive tax planning. In banking companies, the effect of capital intensity may differ because fixed assets are not the primary operational assets, unlike in manufacturing firms. However, capital intensity can still influence tax strategy decisions through accounting and depreciation mechanisms. Previous studies found a positive relationship between capital intensity and tax avoidance (Dwiyanti & Jati, 2019). Therefore, the following hypothesis is proposed:
H5: Capital intensity has a positive effect on tax avoidance.

3. Data and Method

Research Strategy

This study employs an associative research method with a quantitative approach to examine the influence of corporate governance mechanisms and capital intensity on tax avoidance in the banking sector. Associative research is intended to identify and analyze the relationships between two or more variables and to empirically explain causal relationships among them. A quantitative approach is considered appropriate because this study relies on numerical data derived from corporate financial statements and applies statistical analysis to test the proposed hypotheses. The analysis uses panel data regression because the data combine cross-sectional observations of banking companies and time-series observations over the 2020–2024 period. Panel data analysis is expected to yield more accurate estimates by capturing both inter-firm and inter-period variations.

The banking sector was specifically selected because banks operate in a highly regulated environment and are closely supervised by financial authorities, making transparency and accountability particularly important. In addition, banks play a strategic role in maintaining economic stability and public trust, so tax compliance issues in this sector are highly relevant. The 2020–2024 observation period was chosen to provide recent empirical evidence and to capture corporate governance and taxation practices during the post-pandemic economic recovery, when companies faced increasing pressure to maintain profitability and financial performance.

Population and Sample

Population refers to the group of objects under study. This study targets companies in the banking sub-sector listed on the Indonesia Stock Exchange between 2020 and 2024. The sampling method used in this study was purposive sampling, which determines the sample based on specific criteria.

Data and Data Collection Methods

This study uses secondary data obtained from audited annual financial statements of banking companies listed on the IDX for the 2020–2024 period. Secondary data were selected because they are publicly available, objective, and suitable for empirical accounting and taxation research. Data collection was conducted using a documentation study method, involving the collection, review, and analysis of financial and annual reports published on the official IDX website and each firm's official website.

The dependent variable in this study is tax avoidance, proxied by the Cash Effective Tax Rate (CETR), calculated as cash tax payments divided by pre-tax income. CETR is used because it reflects the actual cash taxes paid by companies and is widely applied in tax avoidance research. Independent variables include independent commissioners, measured by the proportion of independent commissioners to the total board of commissioners; board of directors, measured by the total number of directors; audit committee, measured by the number of audit committee members; institutional ownership, measured by the percentage of institutional share ownership; and capital intensity, measured by the ratio of fixed assets to total assets. These proxies were selected based on prior literature and their relevance in explaining governance effectiveness and corporate tax behavior.

To improve methodological rigor, this study also considers potential endogeneity issues arising from the relationship between governance mechanisms and tax avoidance. Therefore, panel data model selection tests, including the Chow, Hausman, and Lagrange Multiplier tests, are conducted to determine the most appropriate regression model. In addition, classical assumption tests for multicollinearity, heteroscedasticity, and autocorrelation are conducted to ensure the robustness and validity of the regression results.

4. Results

Classical Assumptions

Normality Test

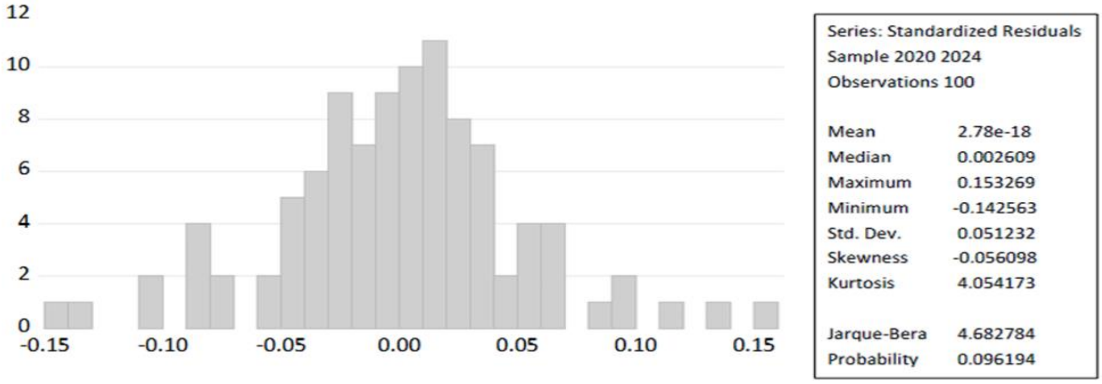

Figure 2. Normality Test Results

In the image above, we can see that the results of the normality test using the Jarque-Bera method yielded a p-value of 0.096194. Because the Jarque-Bera probability value is > α = 5%, the data are normally distributed.

Autocorrelation Test

Table 1. Autocorrelation Test Results

F-statistic	0.296083	Prob. F(2,91)	0.7444
Obs *R-squared	0.640060	Prob. Chi-Square(2)	0.7261

Source: Processed Data (2025)

In Table 1 above, we can see that the results of the normality test using the Breusch Godfrey method obtained a probability value of Obs*R-squared of 0.640060. Because the Breusch Godfrey probability value >α= 5%, then it can be said that the data does not experience autocorrelation.

Multicorrelation Test

Table 2. Multicorrelation Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000552	1.049060	NA
D(X1)	0.046215	3.113739	3.113642
D(X2)	0.000290	1.225670	1.225444
D(X3)	0.000313	1.188520	1.188277
D(X4)	0.030925	3.053174	3.053153
X5	0.000292	1.179988	1.129950

Source: Processed Data (2025)

In Table 2, the results of the multicollinearity test using the VIF (Variance Inflation Factor) method indicate that variables X1, X2, X3, and X4 have VIF values below 10. Because the VIF value is < α = 10, the data do not exhibit multicollinearity.

Heteroscedasticity Test

Table 2. Heteroscedasticity Test Results

F-statistic	2.085891	Prob. F(5,93)	0.0741
Obs *R-squared	9.982804	Prob. Chi-Square(5)	0.0757
Scaked explained SS	28.27293	Prob. Chi-Square(5)	0.0000

Source: Processed Data (2025)

In Table 2, we can see that the results of the heteroscedasticity test using the White method yielded an Obs*R-squared probability value of 9.982804. This is because the probability value of Obs*R-squared >α= 5%, then it can be said that the data does not experience heteroscedasticity

Panel Data Regression Estimation Method
Common Effect Model (COM)

Table 3. Panel Data Regression Results with the Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.475743	0.107022	13.78910	0.0000
X1	-0.875596	0.131149	-6.676355	0.0000
X2	-0.006797	0.011122	-0.611094	0.5426
X3	-0.026233	0.009703	-2.703463	0.0081
X4	-0.735201	0.100333	-7.327633	0.0000
X5	-0.023304	0.013937	-1.672123	0.0978

Source: Processed Data (2025)

The results of the Common Effect Model (CEM) regression show a constant of 1.475743 with a probability of 0.0000. Of the five independent variables, only the independent board of commissioners (X1), audit committee (X3), and institutional ownership (X4) have a significant negative effect on tax evasion. In contrast, the board of directors (X2) is insignificant, and capital intensity (X5) is only marginally significant. This finding indicates that strong governance mechanisms suppress tax evasion practices, while the role of the board of directors and capital intensity have less significant effects.

Fixed Effect Model (FEM)

Table 3. Panel Data Regression Results with Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.469610	0.110395	13.31224	0.0000
X1	-0.479396	0.149177	-3.213611	0.0019
X2	-0.004323	0.009596	0.450492	0.6537
X3	-0.005299	0.012102	-0.437883	0.6627
X4	-1.191339	0.141400	-8.425314	0.0000
X5	-0.123882	0.011851	-10.45291	0.0000

Source: Processed Data (2025)

The results of the Fixed Effect Model (FEM) show that the independent board of commissioners (X1, coef. -0.479396; p=0.0019), institutional ownership (X4, coef. -1.191339; p=0.0000), and capital intensity (X5, coef. -0.123882; p=0.0000) have a significant negative effect on tax evasion, while the board of directors (X2) and audit committee (X3) are not significant, indicating that the monitoring mechanism and fixed asset investment can suppress tax avoidance practices.

Random Effect Model (REM)

Table 5. Panel Data Regression Results with Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.602562	0.077461	20.68858	0.0000
X1	-0.680261	0.099610	-6.829251	0.0000
X2	-0.002264	0.007942	-0.285112	0.7762
X3	-0.020717	0.008149	-2.528381	0.0131
X4	-1.068124	0.086116	-12.40325	0.0000
X5	-0.095508	0.009529	-10.02254	0.0000

Source: Processed Data (2025)

The results of the Random Effect Model (REM) show that the independent board of commissioners (X1), audit committee (X3), institutional ownership (X4), and capital intensity (X5) have a significant negative effect on tax evasion. In contrast, the board of directors (X2) has no significant effect. This finding confirms that effective corporate governance mechanisms and capital investment structures can help suppress tax evasion.

Panel Data Regression Model Selection Test
Chow Test

Table 6. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	42.265872	(19.75)	0.0000
Cross-section Chi-square	246.021722	19	0.0000

Source: Processed Data (2025)

In Table 6 above, we can see that the results of the Chow test obtained a chi-square cross-section probability value of 0.000. Because the chi-square cross-section probability value $<\alpha = 5\%$, then the model chosen to be used is the Fixed Effect Model. Because the Fixed Effect Model is used for the Chow test, further testing is needed to determine whether the Fixed Effect Model or the Random Effect Model is appropriate.

Hausman test

Table 7. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	83.693740	5	0.0000

Source: Processed Data (2025)

In Table 7 above, we can see that the Hausman test results yielded a random-effects probability value of 0.0000. Because the random cross-section probability value is $< \alpha = 5\%$, the Fixed Effects Model is selected for use.

Conclusion of Model Selection Test
Multiple Linear Regression Analysis

Table 8. Results of Multiple Linear Regression Analysis of Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.469610	0.110395	13.31224	0.0000
X1	-0.479369	0.149177	-3.213611	0.0019
X2	0.004323	0.009596	-0.450492	0.6537

X3	-0.005299	0.012102	-0.437883	0.6627
X4	-1.191339	0.141400	-8.425314	0.0000
X5	-0.123882	0.011851	-10.45291	0.0000

Source: Processed Data (2025)

The regression equation shows that the independent board of commissioners, institutional ownership, and capital intensity have a significant negative effect on tax evasion. In contrast, the board of directors and audit committee are not significant.

Hypothesis Testing
Partial Test (t-Test)

Table 9. Partial Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.469610	0.110395	13.31224	0.0000
X1	-0.479369	0.149177	-3.213611	0.0019
X2	0.004323	0.009596	-0.450492	0.6537
X3	-0.005299	0.012102	-0.437883	0.6627
X4	-1.191339	0.141400	-8.425314	0.0000
X5	-0.123882	0.011851	-10.45291	0.0000

Source: Processed Data (2025)

The results of the hypothesis test show that the independent board of commissioners, institutional ownership, and capital intensity have a significant effect on tax evasion, whereas the board of directors and the audit committee do not.

5. Discussion

The Influence of the Independent Board of Commissioners on Tax Evasion

Based on Table 9, the results show that independent commissioners have a significant negative effect on tax avoidance. This finding indicates that a higher proportion of independent commissioners can reduce companies' tendency to engage in aggressive tax practices. Independent commissioners serve as an effective monitoring mechanism, overseeing managerial decisions and minimizing opportunistic tax behavior. In line with Agency Theory (Jensen & Meckling, 1976), independent commissioners reduce agency conflicts by ensuring that management acts in accordance with shareholder and stakeholder interests through greater transparency and accountability.

In the banking sector, the role of independent commissioners is increasingly important because banks operate under strict regulatory oversight by financial authorities and are highly dependent on public trust. Strong oversight from independent commissioners may discourage management from implementing aggressive tax strategies that could damage corporate reputation and trigger regulatory sanctions. This finding supports studies, which found that stronger independent oversight reduces tax avoidance practices. However, this result differs, who found no significant effect. The difference may arise from variations in industry characteristics, governance quality, and regulatory environments. Banking companies generally implement stricter governance standards than non-financial sectors, making the monitoring role of independent commissioners more effective.

These findings imply that companies should not only meet formal requirements for the composition of independent commissioners but also strengthen commissioners' competence, independence, and professionalism. Regulators may also improve governance quality by enhancing qualification standards and monitoring the effectiveness of independent commissioners in overseeing taxation policies.

The Influence of the Board of Directors on Tax Evasion
The results indicate that the board of directors does not significantly affect tax avoidance. This suggests that the number of directors alone is insufficient to explain variation in tax-avoidance behavior. The finding implies that tax policy decisions are influenced more by the quality of governance practices, managerial incentives, corporate culture, and external regulatory pressures than by board size alone.

From the perspective of Agency Theory, directors act as agents responsible for maximizing firm performance while maintaining regulatory compliance. However, in banking companies, directors operate within a highly regulated framework with strong supervision from regulators, external auditors, and risk management systems. As a result, the board of directors may have limited discretion to pursue aggressive tax strategies compared to boards in less-regulated sectors. This may explain why board size does not significantly influence tax avoidance practices in this study.

This finding is consistent, who also found no significant relationship between the board of directors and tax avoidance. However, it differs, who emphasized the importance of board competence and effectiveness in reducing aggressive tax behavior. The contradictory findings suggest that board effectiveness depends not on the number of directors but rather on factors such as expertise, governance quality, leadership effectiveness, and strategic orientation. Therefore, companies should strengthen the substantive role of directors in governance and taxation oversight rather than merely focusing on board composition requirements.

The Influence of the Audit Committee on Tax Evasion
The findings show that the audit committee has no significant effect on tax avoidance. This indicates that the existence or frequency of audit committee activities does not, in itself, reduce aggressive tax behavior. The effectiveness of the audit committee depends more on the competence, independence, and financial expertise of its members than on its formal structure alone.

In banking companies, audit committees already operate under standardized governance frameworks and strict financial reporting regulations. Consequently, variations in audit committee characteristics may not substantially influence tax avoidance, as tax policies are also controlled by external audits, financial regulators, and internal compliance systems. This condition may explain why the audit committee variable is statistically insignificant in this study.

The result is consistent with Alnasvi & Sastrodiharjo (2023), who found that audit committees do not significantly affect tax avoidance. However, the findings contradict Ardiyanti (2023) and Marsha & Ghazali (2017), who emphasized that effective audit committees can strengthen corporate oversight and reduce tax aggressiveness. Differences in findings may stem from differences in governance quality, industrial characteristics, and the measurement of audit committee effectiveness. International empirical studies also suggest that audit committee effectiveness is strongly influenced by members' expertise, independence, and risk-management orientation rather than by committee size or meeting frequency alone. Therefore, companies should focus on improving audit committee competence and oversight quality to strengthen the effectiveness of governance.

The Influence of Institutional Ownership on Tax Evasion
Institutional ownership has a significant negative effect on tax avoidance, suggesting that companies with higher institutional ownership engage in fewer aggressive tax practices. Institutional investors generally possess stronger monitoring capabilities, greater access to information, and long-term investment interests, enabling them to oversee managerial behavior more effectively.

In line with Agency Theory, institutional ownership reduces agency conflicts by encouraging management to prioritize transparency, accountability, and long-term corporate sustainability. In the banking sector, institutional investors are likely to discourage aggressive tax strategies because tax-related controversies may harm a firm's reputation, reduce investor confidence, and increase regulatory risk. Therefore, stronger institutional ownership may create pressure for companies to maintain tax compliance and transparent reporting practices.

This finding supports Dewi (2019) and Gazali et al. (2020), who found that institutional ownership reduces tax avoidance practices. However, the result differs, who argued that institutional investors may act passively and prioritize profit maximization. The difference may reflect variations in ownership structure, governance environments, and investor orientation across countries and industries. In Indonesia's banking sector, institutional investors appear to play a more active monitoring role, given the importance of financial stability and governance transparency. In practice, companies can strengthen institutional participation to improve accountability, while regulators may encourage institutional investor involvement as part of governance and tax oversight mechanisms.

The Influence of Capital Intensity on Tax Evasion

The results indicate that capital intensity has a significant negative effect on tax avoidance. This finding suggests that companies with higher proportions of fixed assets are less likely to engage in aggressive tax strategies. One possible explanation is that companies with substantial fixed assets already benefit from depreciation expenses that legally reduce taxable income, thereby reducing the incentive to engage in riskier tax-avoidance practices.

This finding can be explained through Agency Theory and Political Cost Theory. From the agency perspective, managers may prefer safer, legally acceptable tax-reduction strategies, such as depreciation utilization, rather than aggressive tax schemes that may increase legal and reputational risks. From a political cost perspective, large and capital-intensive companies are often more visible to regulators and the public, which encourages them to maintain higher compliance and avoid controversial tax behavior.

The result supports the findings of Anjelina (2022), all of which also found a negative relationship between capital intensity and tax avoidance. However, it contradicts the findings of, who found a positive effect. These contradictory findings suggest that the impact of capital intensity may vary across industries. In manufacturing firms, high capital intensity may provide broader opportunities for tax planning through depreciation strategies. At the same time, in banking companies, fixed assets are not the primary operational assets, so capital intensity is less closely associated with aggressive tax behavior. Therefore, in the banking sector, higher capital intensity may instead reflect operational stability and stronger compliance orientation. Regulators should nevertheless continue to monitor companies with low capital intensity, as such firms may rely more heavily on aggressive tax-planning strategies to reduce tax burdens.

6. Conclusion

This study aims to analyze the influence of independent commissioners, boards of directors, audit committees, institutional ownership, and capital intensity on tax avoidance in banking companies listed on the Indonesia Stock Exchange during 2020–2024. The findings indicate that independent commissioners, institutional ownership, and capital intensity have significant negative effects on tax avoidance. These results suggest that stronger governance oversight and higher fixed asset ratios can reduce companies' tendency to engage in aggressive tax practices. Independent commissioners and institutional investors serve as effective monitoring mechanisms that promote transparency, accountability, and compliance with tax regulations. Meanwhile, higher capital intensity reduces incentives for aggressive tax avoidance, as companies can legally use depreciation to reduce their tax bills.

In contrast, the board of directors and audit committee do not significantly affect tax avoidance. This finding indicates that the existence or size of governance structures alone is insufficient to control tax avoidance practices. The effectiveness of governance mechanisms depends more on governance quality, competence, independence, and the implementation of oversight than on formal organizational structures alone. In the banking sector, strict regulatory supervision and standardized governance frameworks may also reduce the direct influence of directors and audit committees on tax policy decisions.

Theoretically, this study contributes to agency theory and the corporate governance literature by providing empirical evidence that transparent governance mechanisms play an important role in reducing opportunistic managerial tax behavior. This study also enriches the tax-governance literature by emphasizing that governance effectiveness in the banking sector depends not only on structural compliance but also on the quality of substantive oversight and the strength of institutional monitoring. Furthermore, the findings highlight the importance of transparency in governance to support sustainable fiscal accountability in highly regulated industries.

The implication is that companies need to strengthen their oversight mechanisms through independent commissioners, institutional ownership, and fixed asset management to curb tax avoidance. At the same time, regulators can encourage more effective oversight and transparency standards.

Recommendation

Banking companies are advised to strengthen governance quality by increasing the competence and independence of commissioners, particularly in taxation, finance, and risk management. Institutional investors should also play a more active role in monitoring managerial decisions and encouraging transparent tax practices. In addition, companies need to enhance audit committee expertise and effectiveness and ensure that boards of directors actively supervise tax policies as part of sustainable corporate governance.

For regulators, stricter governance-based supervision of tax compliance is needed in Indonesia's banking sector. Authorities are encouraged to strengthen standards on commissioner independence, audit committee effectiveness, institutional monitoring, and tax transparency to reduce aggressive tax avoidance and improve corporate accountability.

References

Alfandia, N. S., & Putri, P. A. (2023). Audit committees, political connections, and audit quality on tax avoidance. *Journal of Management Science (JMAS), 6*(2), 211–216. https://doi.org/10.35335/jmas.v6i2.225

Alkholil, H. P. P. N., & Sulistyowati, S. (2022). Pengaruh tata kelola perusahaan, tanggung jawab sosial perusahaan, kinerja keuangan, dan koneksi politik terhadap penghindaran pajak. *Jurnal Ilmiah Sultan Agung*, 772–793.

Alnasvi, D., & Sastrodiharjo, I. (2023). Pengaruh kualitas audit, komite audit, dan kepemilikan keluarga terhadap agresivitas pajak dan dampaknya terhadap timeliness. *Jurnal Keuangan Dan Perbankan, 15*(2), 77–90. https://doi.org/10.35384/jkp.v15i2.303

Alya, & Yuniarwati. (2021). Pengaruh kepemilikan institusional, leverage, dan ukuran perusahaan terhadap tax avoidance. *Jurnal Multiparadigma Akuntansi, III*(1), 10–19. https://doi.org/10.24912/jpa.v3i1.11398

Anjelina, J. (2022). Pengaruh capital intensity, leverage, dan profitabilitas terhadap tax avoidance: Studi empiris pada perusahaan manufaktur sektor industri barang konsumsi yang terdaftar di Bursa Efek Indonesia tahun 2017–2020. *Prosiding: Ekonomi dan Bisnis, 1*(2). https://doi.org/10.31253/ni.v1i2.1567

Ambarukmi, K. T., & Diana, N. (2017). Pengaruh size, leverage, profitability, capital intensity ratio, dan activity ratio terhadap effective tax rate (ETR). *Jurnal Ilmiah Riset Akuntansi, 06*(17), 13–26.

Aji, A. W., Erawati, T., & Dewi, N. S. (2021). Pengaruh pemahaman perpajakan, love of money, dan religiusitas terhadap keinginan melakukan penggelapan pajak. *Jurnal Ilmiah Akuntansi, 12*(3), 101–113. http://ejournal.unibba.ac.id/index.php/AKURAT

Andini, R., Andika, A. D., & Pranaditya, A. (2021). Analisa pengaruh kepemilikan institusional, proporsi dewan komisaris independen, dan profitabilitas terhadap penghindaran pajak dengan ukuran perusahaan sebagai variabel moderating: Studi empiris pada industri barang konsumsi yang terdaftar di Bursa Efek Indonesia tahun 2015–2019. *Jurnal Akuntansi Dan Pajak, 22*(2), 529–537. https://jurnal.stie-aas.ac.id/index.php/jap/article/view/3193

Apsari, A. A. A. N. C., & Supadmi, N. L. (2018). Pengaruh kompensasi eksekutif, koneksi politik, dan capital intensity pada tax avoidance. *E-Jurnal Akuntansi, 25*(2), 1481–1505. https://doi.org/10.24843/EJA.2018.v25.i02.p25

Ardyanti, P. W. (2023). Pengaruh komite audit, jumlah rapat komite audit, keahlian komite audit dan masa jabatan komite audit terhadap manajemen laba. *Jurnal Ilmu dan Riset Akuntansi, 12*(3).

Asadanie, N. K., & Venusita, L. (2020). Pengaruh koneksi politik terhadap penghindaran pajak. *INVENTORY: Jurnal Akuntansi, 4*(1), 14–21. https://doi.org/10.25273/inventory.v4i1.6296

Astika, I. B. P. (2009). Hubungan keagenan dan hukum besi dalam manajemen laba. *Jurnal Ilmiah Akuntansi dan Bisnis, 4*(2).

Bella, P. L., & Machdar, N. M. (2025). Dampak liquidity dan capital intensity terhadap tax avoidance. *Ekonomi Keuangan Syariah dan Akuntansi Pajak (EKSAP), 2*(1), 21–32.

Bernandhi, R., & Muid, A. (2014). Pengaruh kepemilikan manajerial, kepemilikan institusional, kebijakan dividen, leverage, dan ukuran perusahaan terhadap nilai perusahaan. *Diponegoro Journal of Accounting, 3*(1), 1–14.

Budiantoro, H., Santosa, P. W., Zhusrin, A. S., & Lapae, K. (2022). Pengujian Pentagon Fraud terhadap Kecurangan laporan Keuangan pada Perusahaan Badan Usaha Milik Negara (BUMN). *ASSETS*, *12*(1), 76–94. https://doi.org/10.24252/assets.v1i1.27587

Candra, J., Anita, J., Widya, & Katharina, N. (2021). Pengaruh kepemilikan institusional, kinerja keuangan, capital intensity, inventory intensity, green accounting terhadap corporate tax avoidance pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2017–2020. *Jimea | Jurnal Ilmiah Mea (Manajemen, Ekonomi, Dan Akuntansi), 5*(3), 15–33.

Dewi, C. S., & Estrini, D. H. (2024). Pengaruh ukuran perusahaan, leverage, dan profitabilitas terhadap penghindaran pajak. *Jurnal Maneksi, 13*(1), 248–254. https://doi.org/10.31959/jm.v13i1.2150

Dewi, S. L., & Oktaviani, R. M. (2021). Pengaruh leverage, capital intensity, komisaris independen dan kepemilikan institusional terhadap tax avoidance. *Akurasi: Jurnal Studi Akuntansi Dan Keuangan, 4*(2), 179–194. https://doi.org/10.29303/akurasi.v4i2.122

Dwiyanti, I. A. I., & Jati, I. K. (2019). Pengaruh profitabilitas, capital intensity, dan inventory intensity pada penghindaran pajak. *E-Jurnal Akuntansi Universitas Udayana, 27*(3), 2292–2321. https://doi.org/10.24843/EJA.2019.v27.i03.p24

Faccio, M. (2006). Politically connected firms. *American Economic Review, 96*, 369–386. https://doi.org/10.1257/000282806776157704

Fathurrahman, A., W. A., & Sari, R. D. P. (2021). Pengaruh kepemilikan institusional, komite audit, dan thin capitalization terhadap tax avoidance. *Journal of Physics A: Mathematical and Theoretical, 44*(8). https://doi.org/10.1088/1751-8113/44/8/085201

Fitriani, D. R. (2021). Praktek rent seeking (pemburu rente): Praktek politik dan bisnis di kalangan birokrasi. *E-Journal Universitas Subang, 3*(2). http://ejournal.unsub.ac.id/index.php/keuangan

Furi, G. D. (2018). Pengaruh leverage, ukuran perusahaan, inventory intensity, capital intensity ratio, sales growth, dan komisaris independen terhadap tax avoidance: Studi empiris pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2014–2016. *JOM FEB, 1*(1), 1–15.

Gazali, A., Karamoy, H., & Gamaliel, H. (2020). Pengaruh leverage, kepemilikan institusional dan arus kas operasi terhadap penghindaran pajak pada perusahaan tambang yang terdaftar di Bursa Efek Indonesia periode 2014–2019. *Jurnal Riset Akuntansi Dan Auditing, 11*(2), 83–96.

Gula, V. E., & Mulyani, S. D. (2020). Pengaruh capital intensity dan deferred tax expense terhadap tax avoidance dengan menggunakan strategi bisnis sebagai variabel moderasi. *Prosiding Seminar Nasional Pakar Ke-3, 2*, 43.1–2.43.7. https://doi.org/10.25105/pakar.v0i0.6882

Hanim, H., & Fatahurrazak. (2018). Pengaruh dewan komisaris, komisaris independen, dan kompensasi dewan komisaris dan direksi terhadap tindakan agresivitas pajak. *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia, 1*(2), 37–50. https://doi.org/10.31629/jiafi.v1i2.1243

Ishak, A. C., & Asalam, A. G. (2023). Pengaruh koneksi politik, capital intensity, dan corporate social responsibility disclosure terhadap tax avoidance. *Owner: Riset & Jurnal Akuntansi, 7*(4), 3041–3051. https://doi.org/10.33395/owner.v7i4.1720

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency cost and ownership structure. *Journal of Finance Economics, 3*, 305–360. http://www.nhh.no/for/courses/spring/eco420/jensenmeckling-76.pdf

Marsha, F., & Ghozali, I. (2017). Pengaruh ukuran komite audit, audit eksternal, jumlah rapat komite audit, jumlah rapat dewan komisaris dan kepemilikan institusional terhadap manajemen laba. *Diponegoro Journal of Economics, 6*(2), 1–12.

Santosa, P. W. (2020). The Effect of Financial Performance and Innovation on Leverage: Evidence from Indonesian Food and Beverage Sector. *Organizations and Markets in Emerging Economies*, *11*(22), 367–388. https://doi.org/10.15388/omee.2020.11.38

Santosa, P. W., Rahayu, S. I., Simon, Z. Z., & Tambunan, M. E. (2021). The moderating role of audit quality and firm size in the effect of corporate governance on related party transactions: Evidence from Indonesia. *Investment Management and Financial Innovations*, *18*(4), 166–176. https://doi.org/10.21511/imfi.18(4).2021.15

Santosa, P. W., Setianingrum, A., & Yusuf, C. (2022). Corporate governance and leverage on firm value : Evidence of Indonesian large firms. *Jurnal Keuangan Dan Perbankan*, *26*(4), 862–873. https://doi.org/10.26905/jkdp.v26i4.7764